

1
2 UNITED STATES BANKRUPTCY COURT

3 SOUTHERN DISTRICT OF NEW YORK

4 Case No. 05-44481

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6 In the Matter of:

7
8 DELPHI CORPORATION ET AL,

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10 Debtor.

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13
14 United States Bankruptcy Court

15 One Bowling Green

16 New York, New York

17
18 January 25, 2008

19 12:51 PM

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21 B E F O R E:

22 HON. ROBERT D. DRAIN

23 U.S. BANKRUPTCY JUDGE
24
25

1 HEARING re "Automodular motion to compel assumption or
2 rejection of executory contracts and to allow payment of
3 administrative expense claim" - Notice of motion of Automodular
4 Assemblies, Inc., Tec-Mar Distribution Services, Inc., and
5 Automodular Assemblies (Ohio) Inc., to compel assumption or
6 rejection of executory contracts and motion to allow and direct
7 payment of administrative expense claim (Docket No. 11180).

8
9 HEARING re "Employees' motion to vacate automatic stay" -
10 Motion to vacate automatic stay for cause to commence action in
11 N.D. Alabama filed by Jimmy Mueller, David Gargis and Keith
12 Livingston (Docket No. 11350, 11631).

1 HEARING re "Interiors and Closures Businesses Sale Motion" -
2 Expedited motion for orders under 11 U.S.C. Sections 363, 365,
3 and 1146 and Fed. R. Bankr. P. 2002, 6004, 6006 and 9014 (A)(I)
4 Approving bidding procedures, (II) Granting certain bid
5 protections, (III) Approving form and manner of sale notices
6 and (IV) setting sale hearing date and (B) Authorizing and
7 approving (I) Sale of certain of debtors' assets comprising
8 substantially all the assets primarily used in debtors'
9 cockpits and interior systems and integrated closure systems
10 business free and clear of liens, claims and encumbrances, (II)
11 Assumption and assignment of certain executory contracts and
12 unexpired leases and (III) Assumption of certain liabilities
13 (Docket No. 10606).

14
15 HEARING re "Audio MPEG's motion to modify automatic stay" -
16 Motion of Audio MPEG, Inc., and S.I.SV.EL. to modify automatic
17 stay to perform audit under license agreement
18 (Docket No. 11820).

1 HEARING re "Amended Interior and Closures Business Sale Motion"
2 Expedited motion pursuant to 11 U.S.C. Section 105(a) and Fed.
3 R. Bankr. P. 6004 and 9019 authorizing and approving compromise
4 with Inteva Products, LLC and to amend and restate order under
5 11 U.S.C. Sections 363, 365 and 1146 and Fed R. Bankr. P. 2002,
6 6004, 6006 and 9014 authorizing and approving (I) Sale of
7 certain of debtors' assets and comprising substantially all the
8 assets of the cockpits and interior systems and integrated
9 closure systems business free and clear of liens, claims and
10 encumbrances, (II) Assumption and assignment of certain
11 executory contracts and unexpired leases and (III) Assumption
12 of certain liabilities (Docket No. 12097).

13
14 HEARING re "Bearings Sale Motion" - Motion to authorize
15 expedited motion for orders under 11 U.S.C. sections 363, 365
16 and 1146 and Fed. R. Bankr. P. 2002, 6004, 6006 and 9014 (A)(I)
17 Approving bidding procedures (II) Granting certain bid
18 protections, (III) Approving form and manner of sale notices
19 and (IV) Setting Sale Hearing Date and (B) Authorizing and
20 approving (I) Sale of debtors' assets primarily used in debtors
21 Bearings Business free and clear of liens, claims and
22 encumbrances, (II) Assumption and assignment of certain
23 executory contracts and unexpired leases and (III) Assumption
24 of certain liabilities (Docket No. 12104).

1 HEARING re "Verizon Administrative Expense Motion" - Amended
2 motion of Verizon Services Corp. for payment of administrative
3 expense claim pursuant to MobileAria Sale Order
4 (Docket No. 11496).

5
6 HEARING re "Twenty-Fourth Omnibus Claims Objection" - Debtors'
7 twenty-fourth omnibus objection pursuant to 11 U.S.C., Section
8 502(b) and Fed. R. Bankr. P. 3007 to (A) Duplicate of amend
9 claims, (B) Claims not reflected on debtors' books and records,
10 (C) Untimely claims and (D) Claims subject to modification,
11 modified claims asserting reclamation and claim subject to
12 modification that is subject to prior order (Docket No. 11588).

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1 P R O C E E D I N G S

2 THE COURT: Please be seated. Okay. Delphi
3 Corporation.

4 MR. BUTLER: Your Honor, good morning. Jack Butler
5 and Kayalyn Marifioti from -- and Tom Matz from Skadden and
6 Neil Berger from the Togut firm here on behalf of
7 Delphi Corporation for its January omnibus hearing.

8 Your Honor, we did file a proposed agenda for the
9 twenty-seventh omnibus hearing and would propose to file that
10 agenda.

11 THE COURT: Okay.

12 MR. BUTLER: Backing away from the microphone, Your
13 Honor, because I --

14 THE COURT: Well, we have a whole new sound system
15 because suddenly everyone can hear me.

16 MR. BUTLER: It's amazing. Change the method of
17 delivery at the podium. Your Honor, the first matter on the
18 agenda is the Automodular motion to compel assumption or
19 rejection at Docket No. 11180. The parties are engaged in
20 discovery on this matter now and ask Your Honor to continue
21 this to the February 21st omnibus hearing.

22 THE COURT: Okay. This is -- this is different than
23 their -- that's fine.

24 MR. BUTLER: Yes, Your Honor.

25 THE COURT: Yes.

1 MR. BUTLER: This has to do with taking discovery
2 with respect to the administrative portion of it.

3 THE COURT: That's fine.

4 MR. BUTLER: Your Honor, the next matter on the
5 agenda is an employees motion to vacate the automatic stay in
6 order to commence litigation in the Northern District of
7 Alabama on some ERISA matters filed at Dockets No. 1135011631.
8 The parties have been discussing this issue and have agreed to
9 move it to the February 21st Omnibus hearing with Your Honor's
10 permission. The debtors would file a response no later than
11 February 14th. And this would constitute an agreement, also,
12 to have the preliminary hearing and this heard at the February
13 21st hearing.

14 THE COURT: Okay. That's fine.

15 MR. BUTLER: Your Honor, the next matter on the
16 agenda is the first of two motions dealing with the Interiors
17 Enclosures business sale that Your Honor approved back in
18 December. At that time, you may recall that the Court -- there
19 were, I believe twenty-eight objections that were filed to the
20 motion most of the dealing with cure issues and assumption
21 issues. Thirteen of those were disposed of at the time of
22 hearing and fifteen of them were continued for hearing today.
23 Your Honor, also, made explicit on the record that certain of
24 the findings you were making at the hearing in December were
25 not applicable to the continued -- at that time at least, were

1 not applicable to the continued objections.

2 I'm pleased to report to Your Honor that all of the
3 remaining objections have been resolved. There are three of
4 them that I need to summarize here on the record. There's a
5 proposed order that we'll submit to Your Honor that addresses
6 the resolution of all fifteen of these matters. It also would
7 then, based on the settlements that have been reached, the
8 order we're asking Your Honor to consider for entry today would
9 also make applicable the findings of the sale order as it
10 relates to these objects as well. And there are three that I
11 wanted to address in particular. The -- the first of those,
12 and these are agreements we -- specific agreements we're
13 indicating would be dealt with on the record today. I should
14 indicate that the primary issues raised in the fifteen
15 adjourned objections involve primarily disputed cure amounts.
16 The identification or characterization of the initial notices
17 of the contracts to be assumed or assigned and issues relating
18 to adequate assurance and future performance.

19 The first objection I'd like to deal with this is the
20 objection -- objections filed by Savic Innovative Plastics
21 U.S., LLC. And that deal with objections filed at Dockets No.
22 11010, 11011 and Docket No. 11368. In their objection Savic
23 disputed the debtors' cure amounts and asserted that the
24 debtors improperly identified the initial notices, the
25 contracts to be assumed and assigned. The parties have

1 resolved the Savic objections, consensually, under the --
2 what's called the Delphi Savic Claims Resolutions Stipulation
3 and Agreed Order, which is the stipulation that's dated January
4 24, 2008 that's going to be filed with the Court.

5 Essentially, that stipulation provides for the
6 payment of agreed net cure amounts in the amounts of
7 \$119,643.34 and 2,199,917.19 as -- involving the resolution of
8 all pre-petition disputes relating to the contracts to be
9 assumed or assigned. In addition, upon payment by the debtors
10 of the amount set forth in the Savic stipulation, the Savic
11 proofs of claim will also be withdrawn.

12 That summarizes, Your Honor, the Savic transaction.

13 THE COURT: Okay. And I believe counsel for Savic is
14 on the telephone.

15 MS. O'NEILL: Yes I am, Your Honor. Judy O'Neill
16 from Foley and Lardner.

17 THE COURT: Okay. And that's -- that's consistent
18 with your understanding.

19 MS. O'NEILL: That is, Your Honor.

20 THE COURT: All right.

21 MR. BUTLER: Your Honor, the next matter I'd like to
22 deal with on the record is the objection that's filed by
23 Spartec Corporation and Spartec Polycom. This was filed at
24 Docket No. 11381. And in this objection Spartec disputed the
25 cure amount asserted in the debtors' cure notice and asserted a

1 total cure of approximately 42,000 dollars for products
2 delivered post-petition. This consisted of an amount of -- an
3 exact amount of 30,635.36 for purchase order 550057020 and
4 11,093.72 for purchase order 550057021. This matter has been
5 resolved, Your Honor, consensually and the debtors will make
6 the following payments to Spartec, pursuant to a timeline.
7 They will pay 3,264.85 by February 15th of 2008. And another
8 payment, by that time, of 4,330.26 and then will make payments
9 of 58,147.71 in the ordinary course.

10 We've also agreed to pay Spartec for shipments
11 received on or after January 10, 2008 in the ordinary course.
12 And we've been asked -- I've been asked to place on the record
13 the following statement. For the avoidance of doubt, Spartec
14 having timely filed the Spartec objection is not subject to the
15 terms of paragraph 7(b) of the bidding procedures order
16 pertaining to circumstances in which no objection is timely
17 filed. And nothing shall preclude Spartec from asserting any
18 and all future claims it may have arising out of the contracts
19 at issue in the Spartec objection. In consideration for the
20 debtor's commitment to these transactions Spartec has withdrawn
21 the Spartec objection and that is at Docket No. 12337. And I
22 believe Spartec is represented on the phone as well.

23 THE COURT: Is that right?

24 MR. BUTLER: I thought we had Spartec.

25 THE COURT: No, maybe not.

1 MR. BUTLER: Okay. And then last, the last of the
2 fifteen resolutions that I've been asked to place on the record
3 is that with respect to Leer Corporation. Leer Corporation
4 filed an objection at Docket No. 11378 and there has -- this
5 has been -- this objection was resolved as part of a broader
6 settlement between the parties that was set forth in a
7 stipulation and a proposed agreed order that will be filed
8 separately with the Court.

9 But basically the parties have agreed that if prior
10 to the closing date the Court enters the Leer stipulated
11 settlement agreement and enters an order confirming the
12 debtors' plan of reorganization, all cure amounts due and owing
13 in respect to the purchase orders at issue in the Leer
14 objection will be paid in accordance with the Leer stipulated
15 order and settlement agreement. If, however, the closing date
16 occurs before the entry of either of the Leer stipulated orders
17 and the settlement agreement or the confirmation order properly
18 following the closing date, Delphi shall pay the amount of
19 245,325.33 with respect to purchase order 550038138 to Leer.
20 And such amount will be offset from any other payments that
21 Delphi may owe Leer, as determined under the Leer stipulated
22 order and settlement agreement. The -- and by closing date,
23 that's the closing date with respect to this transaction that
24 I'm referring to in terms of the sale of business.

25 And as a result of the -- Leer also acknowledges that

1 the buyers have addressed Leer's concerns concerning adequate
2 assurance of future performance and therefore Leer has agreed,
3 based on this settlement, to withdraw the objection.

4 THE COURT: Okay.

5 MR. BUTLER: Your Honor, I think that's -- those are
6 the only three that I've been asked to summarize on the record.
7 We have a proposed order that disposes of the balance of the
8 objections.

9 THE COURT: Okay. Well, let me make sure then
10 that -- that's the order -- because there are a couple of
11 orders dealing with this --

12 MR. BUTLER: Right.

13 THE COURT: -- with this transaction and that's the
14 one order resolving adjourned objections, correct?

15 MR. BUTLER: Yes. Your Honor, I'd like to pass up a
16 current copy of the order if I May

17 THE COURT: Okay.

18 MR. BUTLER: Because this was one that was worked on,
19 again, overnight last night.

20 THE COURT: All right. I think I've seen that -- if
21 that was what was provided to chambers.

22 MR. BUTLER: Yes.

23 THE COURT: Okay. And that looks fine to me.

24 MR. BUTLER: Thanks, Your Honor. There is another
25 order we'll deal with in just a few moments and another motion

1 involving Interiors Business.

2 THE COURT: Okay.

3 MR. BUTLER: Your Honor, before we get to that, item
4 number four on the agenda is Audio MPEG's motion to modify the
5 automatic stay. A motion filed at Docket No. 11820. Your
6 Honor, from my perspective we dealt with this, in its entirety,
7 at the confirmation hearing as part of the settlement. We
8 indicated to Your Honor that there be a joint stipulation
9 that's been submitted. I've believe it's been submitted in
10 connection with this motion. We'd ask Your Honor to agree to
11 enter the stipulation and settlement of the motion.

12 THE COURT: That's fine. I'll do that on the record
13 at the confirmation hearing and I have that order.

14 MR. BUTLER: Thank you, Your Honor.

15 THE COURT: That stipulation is so ordered.

16 MR. BUTLER: Thank you, Your Honor. Your Honor,
17 this -- now turning back to the Interior Enclosures business.
18 We filed an amended Interior Enclosure motion -- rather a
19 business of sale motion earlier this month at Docket No. 12097.
20 And we have provided a revised order to chambers this morning
21 with respect to this particular motion. Essentially, Your
22 Honor, following the December 20, 2007 approval of the sale of
23 this business to Inteva, which is a subsidiary of Renco, the
24 buyer's formal name is Inteva Products, LLC. On December 26th
25 and thereafter, following a receipt of a letter from Inteva,

1 the company and Inteva have been in discussions regarding
2 various conditions to closing that Inteva had concluded might
3 not be able to be satisfied in terms of the conditions to
4 closing. The -- the end -- the punch line with respect to all
5 those discussions is that we've been able to successfully
6 negotiate a letter agreement, which is the subject of this
7 motion, in which Inteva has agreed to waive those conditions,
8 various conditions to closing that had been a matter of dispute
9 or that had been discussed as potentially not being able to be
10 closed in exchange for the company agreeing to take part or
11 finance part of the purchase price through a note payable, the
12 terms of which are described in the motion. And taking a note
13 from the Inteva entity for that purpose.

14 We have, under the original agreement, sections
15 number 7.24, 7.25, 7.28, 7.29 and 7.210 are all waived by the
16 buyers and they've waived other conditions as well under the
17 particular -- under the major agreement. There are still
18 closing conditions that exist. The closing conditions that
19 exist, however, are, in some respects, more objective. They
20 are things relating to a sale order approval, bidding
21 procedures having been entered by Your Honor. No law or
22 judgment prohibiting consummation, government approvals,
23 receipts of necessary consents, board approval, accuracy,
24 warranties, performance of covenant, the -- there is no
25 material adverse effect provision but there are waivers that

1 have been given in connection with aspects of that. And there
2 are insurance certificates that have to be -- have to be
3 provided. So from the debtors' perspective the conditionality
4 of the agreement has been significantly reduced as a part of
5 these negotiations. And --

6 THE COURT: So this would resolve the dispute raised
7 in Inteva's letter?

8 MR. BUTLER: Correct. It will resolve that dispute
9 and it will provide more certainty. Obviously there's other
10 matters that we need to deal with them over the next number of
11 weeks. We hope to have this transaction close during the month
12 of February. That's the current target date and we continue to
13 move forward. We have framed this up, Your Honor, as a 9019
14 settlement based on the documents that we have provided Your
15 Honor. I would, for purposes of the record, indicate that we
16 have prepared eleven exhibits to be admitted into the record,
17 including the declaration of Mr. Sheehan. There are no
18 objections to this motion. I'd like to move -- and we have
19 designated certain of them highly confidential and disclosed
20 them to the Court, including the December 26th letter. I'd
21 like to move --

22 THE COURT: And the committee's seen that as well?

23 MR. BUTLER: Yes, Your Honor. I'd like to move that
24 for -- those exhibits, including the three exhibits marked
25 highly confidential into the record.

1 THE COURT: Okay. Any objection to that? All right.
2 They'll be admitted.

3 (Exhibits 1-11, including three marked highly confidential,
4 were hereby received as Debtor's Exhibit 1-11 for
5 identification, as of this date.)

6 MR. BUTLER: And Your Honor, I do have -- Mr. Sheehan
7 is present in court today and is available for any cross
8 examination or any questions the Court may have in connection
9 with his declaration on this matter.

10 THE COURT: Okay. Does anyone want to cross examine
11 Mr. Sheehan? Okay. I'll accept his declaration.

12 MR. BUTLER: Your Honor, then based on -- on the
13 record, we'd ask Your Honor to grant the relief requested in
14 the motion.

15 THE COURT: Okay. I'll -- I'll do that. I believe
16 the terms of the letter agreement are reasonable in light of
17 the -- of the facts.

18 MR. BUTLER: Thank you, Your Honor.

19 Your Honor, the next matter on the agenda is the
20 Bearings sale motion, another transaction involving the
21 disposition of a non-core asset originally designated as such
22 by the debtors back in 2006 in connection with its
23 transformation plan.

24 Your Honor, the -- today's hearing, and I should
25 indicate that the proposal or the motion today is for the

1 proposed sale of the business. And these are assets primarily
2 used in the debtors' bearings businesses to an entity named
3 ND Acquisition Corp for an amount up to 44.2 million dollars
4 subject to certain adjustments, as well as the assumption
5 assignment of assumed contracts and the assumption assignment
6 of assumed liabilities.

7 This is a proposed two-step transaction, Your Honor.
8 Today's hearing is limited to the request to establish and
9 approve bidding procedures, notice procedures and certain bid
10 protections and to set the sale hearing. And we would propose,
11 after making this transaction subject to higher and better
12 offers at an auction on February 13, 2008, if necessary to come
13 back to the Court at the February hearing -- February omnibus
14 for approval of the transaction.

15 Your Honor, in connection with this hearing we have
16 designated six exhibits, including a declaration by Mr. Sheehan
17 describing the basis for the debtors' business judgment in
18 entering into the proposed transaction with ND Acquisition
19 Corporation and I'd like to move admission of those documents
20 into evidence.

21 (ND Acquisition Corporation Exhibits were hereby received as
22 Debtor's Exhibit 1-6 for identification, as of this date.)

23 THE COURT: Okay. Any objection to that? And does
24 anyone want to cross examine Mr. Sheehan? Okay. Those will be
25 admitted.

1 MR. BUTLER: Your Honor, this transaction which
2 was -- has been negotiated under short notice was reviewed by
3 the creditors committee in detail. There were a number of
4 changes that the creditors committee was very helpful to the
5 company in getting made to the agreements, as the committee was
6 able to weigh in matters that we had not been successful in
7 negotiating with the purchaser. For example, I'll just
8 summarize some of them; we had been unable to obtain a cap on
9 expense reimbursement amounts. After the committee's
10 involvement a cap has been agreed to of one million dollars.

11 The creditors committee also raised concerns about
12 the financing contingencies, pursuant to which the purchasers
13 of financing would be a condition to closing. But the bidding
14 procedures required a qualified bid couldn't be conditioned on
15 obtaining financing. The creditors committee was able to help
16 us negotiate an agreement that to the extent that a qualified
17 bid is received, the buyer will not be entitled to the bid
18 protections or be able to participate in auction unless it
19 waives the financing contingency prior to the auction. So the
20 other bidders will still not be able to put a financing
21 contingency in place but if we're able to get a qualified bid
22 on that basis then the --

23 THE COURT: Then it's apples to apples.

24 MR. BUTLER: Then the (indiscernible) has to step up
25 and make it apples to apples.

1 THE COURT: Okay.

2 MR. BUTLER: Or they lose their bid protections.

3 The third agreement is that bids must include written
4 confirmation from General Motors. That General Motors approves
5 the bid -- the bidder to operate the Bearings business, so that
6 information is available to the debtors and to the committees.

7 Fourth, the requirement -- the initial overbid --
8 originally, under the bidding procedures, we filed it would
9 have to be 500,000 dollars greater than the purchase price,
10 breakup fee and expense reimbursement. That's been reduced to
11 250,000 dollars by agreement.

12 And finally, the requirement that a bid contain a
13 commitment to close within not more than fifteen days after the
14 entry of the sale approval order has been increased to forty-
15 five days.

16 I believe, with these changes, the creditors
17 committee now supports entry of this order approving the
18 business -- the sale -- I should say approving the bid
19 procedures and bid protections. The breakup fee here is 1.5
20 million dollars. I should indicate to Your Honor that the
21 purchase price of 44.2 million dollars, that I think Your Honor
22 may be aware of, is subject to certain reductions and could be
23 reduced to as low as 18.2 million dollars under certain
24 conditions. And in other -- but also is subject to upward
25 adjustments of as much as eight to ten million dollars relating

1 to other conditions -- post-closing conditions set forth in the
2 transaction.

3 The expense reimbursement is kept at a million
4 dollars, as I've summarized. And the -- an alternative
5 transaction has to occur in order to give rise to the breakup
6 fee as described. And there's various other conditions, which
7 I will not summarize, regarding the conditions that relate to
8 the transaction -- the expense reimbursement unless Your Honor
9 wants to be -- wants me to go through them.

10 THE COURT: Well, there -- those conditions have not
11 been changed from the original agreement, those other ones?

12 MR. BUTLER: No, Your Honor. Other than the forty-
13 five day --

14 THE COURT: Okay.

15 MR. BUTLER: -- one that has been extended. I
16 also --

17 THE COURT: Are these -- are the changes set forth in
18 revised bidding procedures in a revised order?

19 MR. BUTLER: Yes, that we submitted to Your Honor.

20 THE COURT: Okay.

21 MR. BUTLER: And, Your Honor, if Your Honor approves
22 the bidding procedures and breakup protection and other matters
23 today, we would -- the bid deadline would be February 11, 2008
24 and the auction would be held on February 13, 2008. And the
25 sale hearing would be at the February 21st hearing.

1 THE COURT: Okay.

2 MR. BUTLER: I should point out to Your Honor that
3 RD Acquisition Corp is a wholly owned subsidiary of Resilience
4 Capital Partners, LLC, a private equity investment firm that
5 invests in companies with revenues between twenty-five million
6 and 250 million dollars. But this is a special purpose
7 acquisition vehicle in terms of the transaction, as was the
8 case with in the Interiors businesses and certain of the other
9 businesses. And I wanted to make that disclosure to the Court.

10 THE COURT: Well, okay. Resilience is not an
11 insider, they're --

12 MR. BUTLER: No, they're not an insider but
13 they're --

14 THE COURT: You're saying there no guarantee?

15 MR. BUTLER: Right. The purchaser is an acquisition
16 vehicle and I just -- and that's been the case in a number of
17 these transactions over the course of the case.

18 THE COURT: Actually, that raised something in my
19 mind with regard to the last motion. The note is issued by
20 what entity?

21 MR. BUTLER: The note is -- by the acquisition
22 vehicle, Your Honor.

23 THE COURT: Okay. But the acquisition vehicle will
24 own -- own the debtor.

25 MR. BUTLER: That's correct.

1 THE COURT: I mean own the -- own the business.

2 MR. BUTLER: Own the business, that's correct.

3 THE COURT: If the transfer is -- I guess, there are
4 limitations under the note as to its ability to transfer the
5 business without the transferee taking on the liability or
6 paying the note.

7 MR. BUTLER: I have to actually look to see whether
8 there is that -- whether there is that notation. I do know
9 that the -- I do know, because I had made note of it, that it
10 was the acquisition vehicle that issued the note. I don't know
11 that the -- as I recall, Your Honor, and I'll be corrected by
12 my colleagues if I'm wrong, I believe the note is an unsecured
13 note. And as a result of being an unsecured note there would
14 be -- and I am not familiar with there being, and I did look at
15 the note this morning again, I'm not familiar with there being
16 covenants that would prohibit transactions.

17 THE COURT: But would it be accelerated if they sold
18 the business or anything like that?

19 MR. BUTLER: I don't know that there's a due on sale
20 clause or not, Your Honor. I'd have to check that. I mean, I
21 believe that there is, which is why I described it, I think
22 there's risk associated with that particular -- that was part
23 of the negotiation and part of the underlying transaction. But
24 there is risk associated with that. But I do not know whether
25 there is a -- whether there's a due on sale clause. I can

1 certainly check into that.

2 THE COURT: I mean, the rest of the transaction, the
3 back end of the purchase price, that was treated by a sale of
4 their interests?

5 MR. BUTLER: Yes. Yes. That's correct. Could I
6 have one moment, Your Honor, let me just double check that?

7 THE COURT: Yes.

8 MR. BUTLER: Your Honor, Mr. Gorkin (ph.) points
9 out -- and this note -- the actual notes, one of the exhibits
10 to the hearing binder, indicates that while there are no -- the
11 limitations are not expressed precisely as you asked for it,
12 there is a limitation that says that if there are dividend
13 distributions paid to its members the company has to then make
14 payment on the note.

15 THE COURT: Okay. All right.

16 MR. BUTLER: That provision is in the note.

17 THE COURT: Okay. Well that's -- that would be the
18 only way that they'd want to get around it. Very well. Okay.
19 So turning back to the -- the bearings motion, I had -- I had
20 two questions on it but before I ask them, does anyone else
21 have anything to say on this particular motion, as far as the
22 debtors are seeking relief today on it? Okay.

23 I had these two questions. First, the -- the entry
24 into the competitive operating agreement and the related cost
25 savings, is that something that -- that -- is there any

1 anticipated issue on that at this point or is that, sort of,
2 consistent with the MOU?

3 MR. BUTLER: Well, I don't know that there's
4 anticipated issues. As has been the case with every one of
5 these sales, Your Honor, there is a requirement that's not --
6 that we need to -- we need to get the unions --

7 THE COURT: Right.

8 MR. BUTLER: -- to do the necessary -- to undertake
9 the necessary action and General Motors to undertake the
10 necessary action.

11 THE COURT: But the buyer has undertaken to -- to
12 offer employment to all of the employees --

13 MR. BUTLER: Yes.

14 THE COURT: -- and related issues.

15 MR. BUTLER: Your Honor, I don't think the debtors
16 are aware that there is a problem in connection with either of
17 those.

18 THE COURT: Okay.

19 MR. BUTLER: And in fact, there was a specific
20 requirement that the GM consent in connection with a proposed
21 transaction be placed -- be provided. There are -- but I
22 would -- just to say it, there are no sunset provisions in
23 terms of trying to get some of this -- get that agreement put
24 in place. But from the debtors' perspective, I have to tell
25 you, this is one of those things, under the MOU between Delphi,

1 GM and the UAW. This particular business becomes GM's
2 responsibility at the end of this year, December 31, 2008. So
3 I -- I believe that the parties are motivated to, you know, to
4 complete this transaction. I believe that -- that, you know,
5 that General Motors is supportive of the transaction that has
6 been placed before Your Honor today. And they will need to be
7 involved in evaluating any --

8 THE COURT: Okay.

9 MR. BUTLER: -- of the potential qualified bidders
10 that may come along.

11 THE COURT: All right. And -- and based upon my
12 review of the agreement provisions dealing with employees, it
13 would appear to me, at least, to be logically or reasonably
14 attractive to the union as well. I'm asking that because
15 the -- the breakup fee is tied to the higher purchase price --
16 the percentage is tied to the higher purchase price but I think
17 it's reasonable given the likelihood that -- that that price,
18 rather than the lower price, would be paid ultimately.

19 The other question I had is -- is -- for the
20 assumption notice here. There's no cure notice, correct?
21 Because the cure issues have already been dealt with as part of
22 the confirmation process so it's just an assumption and
23 assignment notice that's going out now?

24 MR. BUTLER: That's correct, Your Honor.

25 THE COURT: Okay. All right. Okay. Certainly with

1 the changes that you've set forth on the record to the bidding
2 procedures and the cap on the reimbursement expense, I conclude
3 that the relief that the debtors are seeking today is
4 reasonable and I'll enter that order. I don't -- I don't think
5 I've seen a black-line of that order, maybe it's on my desk and
6 I missed it but -- but I should see that with the -- obviously
7 the black-line bidding procedures and the other attachments.

8 MR. BUTLER: We'll double check that, Your Honor, and
9 submit it after the hearing.

10 THE COURT: Okay. Thanks.

11 MR. BUTLER: Your Honor, that -- the next matter on
12 the agenda, matter number seven, is the Verizon Administrative
13 expense motion. Neil Berger is -- Mr. Berger is handling this
14 particular matter for the debtors.

15 THE COURT: Okay.

16 MR. BERGER: Good morning, Judge. Neil Berger, Togut
17 Segal & Segal. On Your Honor's calendar as number seven is the
18 amended motion by Verizon Services Corp at Docket 11496.
19 Your Honor may recall that Verizon brought on a motion for
20 immediate payment of administrative expense in connection with
21 the MobileAria sale motion seeking 479,000 dollars. Your Honor
22 considered that original motion and allowed Verizon to file and
23 amended motion. I'm pleased to tell the Court that subject to
24 Your Honor's permission and consent, we've reached a consensual
25 resolution of this matter such that Verizon will have an

1 allowed administrative expense claim of 25,000 dollars to be
2 paid pursuant to and in accordance with the plan. We'll work
3 on a consent order that will contain mutual releases for issues
4 arising from or relating to the GPS agreement, which is the
5 central issue of this -- of this motion.

6 The resolution that we proposed to Your Honor was
7 breached and as a result of arms length negotiations that I
8 personally was involved with, and we think it's a proper
9 exercise of the debtors business judgment to reach this
10 conclusion, in considering, among other things, the debtor
11 looked at the extremely large volume of data that needed to
12 mined and analyzed in connection with this dispute, the cost
13 and expense of further discovery and litigation and the
14 disruption and diversion of the debtors' time and resources to
15 look at all the issues that are presented by Verizon. In the
16 end, Your Honor, we think that a 25,000 dollar administrative
17 expense claim, which is the form of relief, administrative
18 expense claim, that Your Honor approved and contemplated by the
19 parties in the MobileAria sale order is a proper resolution of
20 this -- of this motion.

21 I make that representation after having reviewed
22 those points with counsel for Verizon. I believe he's on the
23 phone with us now.

24 MR. LADDIN: Good morning, Your Honor. This is
25 Darryl Laddin of Arnall, Golden & Gregory on behalf of Verizon

1 Services Corp. Mr. Berger has correctly stated the discussions
2 and the agreement between the parties that would be set forth
3 in the consent order to be presented to Your Honor.

4 THE COURT: Okay. Very well. I -- I conclude
5 that -- that that settlement as set forth on the record is
6 reasonable in light of the merits as well as the cost of
7 dealing with potential additional issues that the debtors would
8 have to deal with in light of Verizon's response.

9 MR. BERGER: Thank you, Judge. We'll work quickly to
10 get a consent order to you promptly.

11 THE COURT: Okay. Thank you.

12 MR. BUTLER: Your Honor, the final matter on the
13 agenda for today is the debtors' twenty-fourth omnibus claims
14 objection which is filed at Docket No. 11588. As filed, there
15 were 136 proofs of claim that were addressed on the omnibus
16 claim objection. In connection with our omnibus reply that we
17 filed in this case, we noted that there were thirty-four
18 replies that had been filed including some potential untimely
19 replies but nonetheless replies that we count for purposes of
20 moving things over to the claims track. And then there was,
21 Your Honor, two additional replies we got subsequent to filing
22 the reply which we also count for purposes of this. So as we
23 enter the hearing today, we have thirty-six proofs of claim for
24 which a response, whether timely or untimely, has been filed.
25 And therefore, the relief we're asking today is to be limited

1 to a hundred proofs of claim for which no response has been
2 received, at least as we headed over to court this morning.

3 Your Honor, in the aggregate there were 136 claims on
4 the twenty-fourth omnibus claims objection. As I indicated,
5 they asserted approximately fifty-three million dollars.
6 The -- as I indicated the twenty-six responses now in hand
7 cover thirty-six proofs of claim asserting liquidated claims of
8 approximately 28.2 million dollars and as is our custom in this
9 case, the hearing with respect to those thirty-six claims will
10 be adjourned and put on the claims track and dealt with by the
11 claims team, as we have with other similar objections, with the
12 debtors reserving all of their rights with respect to late-
13 filed objections -- I should say late-filed responses to the
14 debtors' objections.

15 Therefore, Your Honor, today what we're seeking is
16 relief with respect to a hundred claims, asserting liquidated
17 claims of approximately 24.8 million dollars in the aggregate.
18 Of these hundred claims we're asking Your Honor to expunge
19 fourteen of them, with an asserted claim amount of
20 approximately 3.5 million.

21 With respect to the remaining eighty-six claims,
22 involving 21.3 million dollars, we're asking for a various
23 relief including changing the identity of the debtor against
24 who the proof of claim is asserted, revising the class and/or
25 the amount of the claim and reducing the asserted amount of the

1 claims in the aggregate to 16.7 million dollars. That would
2 reflect a reduction in the aggregate of 4.6 million dollars
3 across those eighty-six claims.

4 THE COURT: Okay. And as in the past, you gave each
5 of the claimants' individualized notice of protection?

6 MR. BUTLER: We did -- we did, Your Honor, and we'll
7 give them individualized notice of any relief Your Honor enters
8 today.

9 THE COURT: Okay. Does anyone have anything to say
10 on the relief the debtors are seeking presently? All right.
11 In light of the fact that this relief, as modified, is
12 unopposed and the statements and averments in the omnibus
13 objection, I'll grant the objection as -- as sought on the
14 record.

15 MR. BUTLER: Thank you, Your Honor. Your Honor, that
16 completes the matters on the calendar for the January omnibus
17 hearing.

18 THE COURT: Okay. While I have -- while I have you
19 here, I -- I got the revised proposed confirmation order, as
20 you all said you'd get to me. And it came with an e-mail that
21 said that there might be comments from other parties. I did
22 get one comment from the lead plaintiffs in the securities
23 action, which seemed innocuous to me. I'm assuming it's
24 innocuous to you all but --

25 MR. BUTLER: I think it probably is innocuous,

1 Your Honor, to everybody.

2 THE COURT: Okay. It's just a reference to the order
3 I'm entering approving their settlement. Should I be waiting
4 for anything else at this point or is it ready to enter? I
5 think it would be appropriate for the debtor to have it be
6 entered today.

7 MR. BUTLER: Your Honor, we certainly would hope it
8 would be entered. We have -- this has been a process where the
9 debtors have gotten rounds and after rounds of comments. And
10 at some point we simply said to people we've -- after the
11 fourth or fifth rounds of comments, we've taken all the
12 comments we're going to take and we're going to submit it.

13 THE COURT: Okay.

14 MR. BUTLER: And we did that on Wednesday by mid --
15 well, we said we'd do it by Wednesday, mid-day. We actually
16 waited towards the end of the day to do it. And from the
17 debtors' perspective we're prepared to have the order entered,
18 up there but I think Mr. Matz' representation to you in his
19 transmittal is still the case. I cannot represent to
20 Your Honor that this is on consent.

21 THE COURT: Well --

22 MR. BUTLER: There are -- there are comments that
23 people had presented to us that we have not accepted.

24 THE COURT: All right.

25 MR. RIELA: Your Honor, this is Mike Riela from

1 Latham & Watkins on behalf of the committee. The confirmation
2 order that was sent to Your Honor by Mr. Matz includes all the
3 comments the committee has. So the committee will have no
4 further comments.

5 THE COURT: Okay. Well, I've -- I've reviewed it and
6 with the addition of the reference to the --

7 MS. HOLIDAY: Your Honor, Diana Holiday for the plan
8 investor, Appaloosa. There's still one outstanding issue that
9 we are waiting to resolve with the debtor.

10 THE COURT: All right. Well, let me just finish. I
11 have reviewed it. I didn't have any problem adding a reference
12 to the -- to my MDL approval order as the lead plaintiffs
13 requested in paragraph 61. The rest of the order is fine to
14 me. So my intention is to get it entered by the end of the day
15 today. You know, if the investors want to inform me of
16 something before then, you know, they can. But I -- I think on
17 the -- on the record of the confirmation hearing and based on
18 my knowledge of the plan and the related documents, this
19 order's appropriate. So I intend to enter it today.

20 MR. BUTLER: Thank you, Your Honor.

21 THE COURT: Okay.

22 (Proceedings Concluded at 10:38 AM)
23
24
25

I N D E X

E X H I B I T S

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C E R T I F I C A T I O N

I, Pnina Eilberg, court approved transcriber, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter.

January 28, 2008

Signature of Transcriber

Date

Pnina Eilberg

typed or printed name